

Michigan Women

A Publication
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Michigan
Women's
Commission

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◆ GOVERNOR JOHN ENGLER ◆ DEPARTMENT OF CIVIL RIGHTS DIRECTOR NANETTE REYNOLDS ◆
◆ CHAIRWOMAN ANNE NORLANDER ◆ EXECUTIVE DIRECTOR JEAN KORDENBROCK ◆

MESP Helps Finance College Education

As you know, education enhances employability dramatically. Many people see major barriers to receiving higher education. After all, the typical undergraduate student completes college with \$16,500 in student loans. Many people think they cannot afford this, but there is help. Through the Michigan Education Savings Program (MESP), the State of Michigan can help you save for college by giving you valuable state and federal tax incentives.

According to available statistics, it helps you to have a degree from an institution of higher education. The U.S. Bureau of Labor Statistics reports in its *Current Population Survey 1999* that unemployment at all education levels averaged 3.1%. For those without a high school education the rate was 6.7%; for people with a bachelor's degree or more, the rate was 1.8%. About 80% of the adults 25 and older who had at least a bachelor's degree participated in the labor force.

You may be thinking about going into business for yourself. 40% of women already own or want to own their own businesses. You can get the

The Michigan Education Savings Program is easy to explain. *It is less expensive for you to save now, earn investment income and let it work for you through*



Michigan Education Savings Program

management and communications skills you need, and much more, by going to college. MESP can help you do that.

compounding, than it is for you to have to borrow and repay the full amount plus interest. The secret is the tax benefits.

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MESP... (Continued)

MESP participants:

- reduce their state taxable income by the amount they invest through the Michigan Education Savings Program by up to \$10,000 per year (\$5,000 filing individually). The adjustment can be made on schedule 1, line 17, of your MI-1040 form. *This is available to you only through the MESP.*
- pay no state or federal income tax on MESP earnings during the accumulation period and none on withdrawals used to pay for qualified higher education costs, namely tuition, room & board, books, and costs deemed essential by the college.
- use their MESP funds at any post-secondary institution that can offer federal financial aid to its students. That includes most public and private schools in the country. This is *not* restricted to Michigan schools.
- save up to \$125,000 per beneficiary. Several families can open accounts for the same beneficiary. For example, a child's parents and grandparents could all open MESP accounts, all contribute, and all take advantage of the state and federal tax benefits. Friends or members of your extended family could start saving to help you through school and receive the state and federal tax benefits.
- can apply for a state grant for beneficiaries age six or under in their first year with MESP who live in a household with a federal adjusted gross income of \$80,000 or less.
- can save for themselves and their children. You, as the account owner, control the funds, make the investment selections (MESP gives you three), and determine how you will use the funds.

The Michigan Education Savings Program is popular. With over 30,000 accounts started since last November, our qualified state tuition savings "529" program is growing fast. These programs have gained national attention. *Money* magazine wrote about them in May 2001. It singled out Michigan for its tax benefits, low cost, and grant program.

You can add value to the program by participating through payroll deduction, which reduces the minimum contribution from \$25 to \$15. It is easy for employers to implement. Participants pay with after-tax dollars. It is similar to providing payroll deduction for a credit union. All agreements, and any changes to those agreements, are between the account owners and the MESP. The program sends confirmations to participants quarterly and annually.

The MESP application kit explains the program in detail. Its Program Disclosure Booklet contains a full disclosure of the Program's tax benefits, investment options, and potential risks. Read it thoroughly before investing. The kit also includes a reprint of the May 2001 issue of *Money* magazine, which discusses the national market for 529 programs in depth. Check out the inside back page for their chart that demonstrates how MESP tax and cost advantages yield more growth than a similar mutual fund investment.

If you want an application, an employer's kit, forms, or answers to technical questions, call the MESP between 8 a.m. and 11 p.m., at 877-861-MESP. Forms and information are also available from our website, www.misaves.com. MESP staff is available to present the program to business and community groups throughout Michigan.

The MWC Would Like to Welcome New Commissioner: Kamar Amanullah



Kamar joined the Michigan Women's Commission in hope of taking an active role in women's issues. Coming from a family of strong, well-educated women, Kamar knows that many women are not as fortunate and she would like to help make a difference in their lives. After graduating with two bachelors degrees in science and law from universities in India, Kamar moved to the United States where she earned a masters degree in business administration. She currently serves as the Director of Finance and Human Resources for the Sisters of Mercy Regional Community of Detroit. She is also the Director of Special Strategic Projects for the Institute of the Sisters of Mercy of the Americas. Kamar resides in Bloomfield Hills with her husband, Adoor Amanullah, a physician at Beaumont Hospital and has one son. In her free time Kamar enjoys reading and traveling.

From the Desk of the Director...

Do You Have A Financial Plan?

A recent television commercial urged financial investors not to worry so much about the recent devaluation of many stocks and funds, but rather to develop a “long term financial plan” so that they do not have to worry. In turn, I decided to make my first Executive Director’s article about this topic, as it also falls right in line with one of the MWC’s Strategic Plan Goals: Economic Independence of Women, which is also the focus of this quarter’s newsletter.

A financial plan encompasses many areas of financial management, some of which I mention below. It is much more than a plan to achieve financial stability during retirement. I spoke with an investment advisor to get a perspective on what should be considered when developing a financial plan. This investment advisor indicated that it is extremely important for women in particular to be aware of their financial options, as women are in control of the majority of family assets in the United States due to their life-expectancy in relation to their male counterparts and due to their sizeable presence in the workforce.

- 1. Determine Your Current Financial Situation:** First you should develop a budget taking into account yearly income and all yearly expenses. You should make a list of goals which you then break down into immediate (1 year), short-term (1-5 years), and long-term (5-12 years) goals. Most people include house, college and retirement in this list. It is important to then begin to regularly put money away, often systematically, to achieve those goals. Systematic savings can often be accomplished through direct deposit and automatic transfers through your bank or credit union.
- 2. Invest in Tax-Deferred Accounts:** There are many types of accounts that lower your annual tax obligation both now and in the future while allowing you to save money toward your goals. For example, many employers offer a 401(k) plan and will match contributions up to a certain percentage. These accounts offer the benefit of investing pre-tax income and deferring those taxes until retirement. Pre-tax money can also be invested, up to a predetermined limit, in traditional IRA’s. After-tax dollars can be invested in Roth IRA’s, again within limit, and all earnings are tax-free. Self-employed individuals
- can also take advantage of a number of options available to assist them in saving for retirement. Those who are self-employed should consult a financial expert because each plan available offers different advantages depending on need. Finally through 529 plans, in Michigan the Michigan Education Savings program, (*see related article*) money can be put aside for college, and earnings are tax-free. It should be noted that many of the aforementioned plans require a penalty be paid by the depositor for early withdrawal.
- 3. Insurance:** Of course most of us consider life insurance at some point in our lives. Whether to purchase life insurance, either Term or Whole Life, depends upon your age, what your needs are (such as providing for children), and the length of time that you need insurance coverage. Other products available that should be considered are Long-Term Care insurance which defrays the costs of living in a long-term care facility. Each person should look at your particular circumstances around the age of 50 to see if it would be prudent to consider investing in Long-Term Care insurance. Disability Insurance is available to assist an individual who is severely injured and unable to support his or her family.
- 4. Estate Planning:** At a minimum, each person, regardless of the size of their estate, should have a valid will. As your wealth increases, it may be beneficial to you to meet with an attorney and discuss how estate planning through the use of trusts, joint ownership agreements, charitable donations, and other options may financially benefit your estate. Trusts can also be beneficial at a time when you are unable to make financial decisions for yourself, for example, if you were seriously injured. If you have no valid will or trust at the time of your death, state laws determine for Michigan residents how their estate will



Jean Kordenbrock
Executive Director

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Director's Desk... *(Continued)*

be distributed. However, of course, you may not agree with the final outcome.

- 5. Durable Power of Attorney and Durable Power of Attorney for Health Care Decisions:** It is beneficial in the event that you become physically or mentally incapacitated to have a Durable Power of Attorney Effective Upon Disability and a Durable Power of Attorney for Health Care Decisions. The first document will allow the person you have chosen to entrust the ability to handle your financial affairs while you are unable to do so. For example, should

your home need to be sold to cover your medical bills, this could be handled without your family having to obtain a court order. The latter document will enable health care decisions to be made on your behalf by whoever you designate with your doctors.

I hope this information has been beneficial to you whether you have already developed a financial plan or are considering beginning a plan. Of course, this is only an overview of some options available to you to meet your financial needs. In putting together a financial strategy it is best to consult your financial team which often includes a financial expert, attorney, and certified public accountant.

Taxpayer Education and Communication Unit of the IRS is Here to Help Women Business Owners

Three years ago the IRS launched an ambitious modernization plan to improve the way the agency works and ensure that taxes are collected efficiently and fairly.

To better serve the small-business taxpayer, the Small Business/Self-Employed Division was created, and ultimately the Taxpayer Education and Communication (TEC) unit evolved.

The purpose of TEC is to provide customer focused products, services and assistance to educate small-business taxpayers and help them meet their tax obligations.

The TEC unit has much to offer women business owners by raising their awareness of small business tax issues. TEC sponsors workshops on various tax

topics such as business entities, employment taxes, record keeping, business use of the home and other specialized topics. TEC provides speakers for business associations, tax practitioner groups, and other organizations and associations.

Miles S. Wright, Territory Manager of the Michigan TEC unit, has a staff of eight Tax Specialists. This staff has a diverse and extensive tax background. They are committed to meeting the objectives and goals of the unit.

For a list of upcoming workshops or to request a speaker for your group, call the TEC hotline at (313) 628-3902. A list can also be found on the IRS web site, the direct address for the workshop listing is www.irs.gov/smallbiz/localevents/michigan.htm

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In an effort to save mailing costs and accommodate our subscribers, we are offering you the option to receive the newsletter via E-mail each quarter. Please contact our office at (517) 373-2884 to sign up.

Commissioner's Corner...

As a woman business owner since 1978, I have faced many challenges. I am the co-owner of the Kitchen Place, a business dealing with custom kitchen design and installation, and the owner of The Victorian Gift House, a home interior design store displayed in a turn of the century Victorian home.

One of the first challenges particular to women business owners that I encountered was banking. I discovered that some bankers do not want to take a woman business owner seriously. In the past, when I have worked with a new bank, the bankers trusted my husband Dave with the financial issues more than they did me. To overcome this obstacle, I had to be very direct with the bank so they were aware that I would be handling the finances.

Working for yourself means you are always at work even when you are not. After opening my businesses, I found myself vacationing at the beach on a Sunday going over inventory instead of relaxing, or reviewing statements in my head at 3:00 a.m. instead of sleeping. Since many women are natural multi-taskers balancing work, family, and a personal life, women are often at risk of becoming overburdened and stressed. A friend of mine who has been in business for a long time once shared some invaluable advice for women business owners: you must teach yourself to not think about work outside of your regular working hours.

Another challenging aspect of owning a business is employing workers and keeping the books. There are many governmental regulations and deadlines, and many

are difficult to navigate. Although I maintain the books and payroll for my businesses, I would recommend having a Certified Public Accountant (CPA) help with these responsibilities.

Employing workers can be a challenge especially if you do not hire carefully. I have had good luck with my employees because I like to treat them like they own the business. We work together, not for one another.

One secret to my success with employees is taking the time to delegate tasks, allowing the workers to have ownership of the tasks and implementing some of their own ideas. This helps them grow as employees and, as a result, I have discovered some wonderful talent in my employees. I never forget to recognize their extra efforts. My staff love their jobs, and I love them.

To a great extent, work ethics and tenacity are a prerequisite to success. The demands are great, there are tough decisions to make, and the buck stops with you (sometimes it is not green!). However, owning your own business overall is a very rewarding and successful experience.



Judi Schwalbach

Staff Update

In October, the MWC bid farewell to Executive Director Martha Truscott. Ms. Truscott leaves to become the Vice President of the John Truscott Group. As Executive Director, Ms. Truscott led the MWC towards improving the lives of Michigan women through many projects including, increasing awareness to the dangers of GHB and other rape and club drugs, breast and cervical cancer, T.E.A.M., personal safety, domestic violence, education, economic independence, and much more. Her hard work and dedication was a testament to her devotion to women's issues in the state of Michigan. She will be greatly missed!

The MWC is pleased to announce the appointment of Ms. Jean Kordenbrock as the new Executive Director. Prior to her appointment, Jean served as the legislative floor assistant to Majority Floor Leader Senator Joanne Emmons. She has worked for Governor John Engler in his Appointments Division, for Senator Dan DeGrow, and as a practicing attorney with Gallagher Duby, PLC. The MWC is very excited to have hired Ms. Kordenbrock and looks forward to her work with the MWC. Welcome Jean!

January Events :

Cervical Cancer Awareness Month

National Birth Defects Prevention Month

February Events :

American Heart Month

February 7, 2002: National Girls and Women
in Sports Day

Mailing List Update

If your name or address needs to be changed on our newsletter mailing label, or if you receive duplicates, please mail or fax the correct information (along with your current label) to the address or fax number listed below. Thank you.














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